

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  MIDAMERICAN ENERGY COMPANY	DOCKET NOS. TF-04-70 TF-04-71 (EEP-03-1)
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**ORDER APPROVING TARIFFS AND GRANTING WAIVERS**

(Issued April 5, 2004)

On July 18, 2003, the Utilities Board (Board) issued an order in Docket No. EEP-03-1 approving a settlement regarding MidAmerican Energy Company's (MidAmerican) new energy efficiency plan. MidAmerican filed proposed tariffs on March 10, 2004, that reflect the annual reconciliation of energy efficiency cost recovery factors for both electric, TF-04-70, and natural gas, TF-04-71, service. No objections to the proposed tariffs were filed.

In its tariff filing, MidAmerican noted that the costs for preparation and development of the new plan were deferred for cost recovery until this cost reconciliation. MidAmerican proposed to spread these costs, including carrying charges, over a five-year period. MidAmerican also pointed out that two of the non-residential programs were new pilot programs, and MidAmerican stated it is delaying recovery of incentive costs for those programs until there is a demonstrated demand for them.

The annual reconciliation process was designed to match energy efficiency cost recovery as closely and as contemporaneously as possible with energy efficiency expenditures, with annual adjustments for over-or under-recovery. Prior to this process being implemented in the mid-1990's, energy efficiency costs were deferred until a cost recovery hearing and, therefore, significant carrying charges were incurred. Today, energy efficiency expenditures for an approved plan are estimated for concurrent cost recovery, eliminating carrying charges and returns on new plan expenditures.

However, the charges incurred by MidAmerican were not incurred as part of an approved plan but in the development of a new plan. It is appropriate to recover carrying charges and returns on such costs and the Board will waive 199 IAC 35.12(1), which set a cut-off date for recovery of deferred costs, to the extent necessary to allow recovery by MidAmerican of plan development costs and associated carrying charges. The standards set forth in 199 IAC 1.3 have been satisfied.

With respect to the proposal to delay recovery of incentives for two pilot programs until there is a demonstrated demand for the programs, the Board agrees that costs should not be recovered for programs that may not be implemented. The Board is concerned, though, that MidAmerican is altering program budgets through the cost reconciliation process rather than seeking a formal plan modification. Because pilot programs are involved, the Board will allow and waive, to the extent

necessary, the requirement to file a plan modification. 199 IAC 35.6(4), 199 IAC 1.3. The Board expects MidAmerican to provide a detailed report of these pilot programs in its May 1, 2004, annual filing.

The Board believes that its staff, MidAmerican, and interested parties should meet to discuss ongoing implementation of the plan. MidAmerican will be directed to participate in such a meeting, which will be scheduled by the Board's staff with notice provided to all intervenors in Docket No. EEP-03-1.

The Board also believes the rules should be examined to see if contemporaneous recovery for plan development costs should be explicitly allowed. The Board will direct its staff to engage in research and discussions with utilities subject to the rules, Consumer Advocate, and other interested persons to obtain more information on issues related to plan development to determine whether changes to the rules should be proposed.

**IT IS THEREFORE ORDERED:**

1. Tariff filings TF-04-70 and TF-04-71 are approved, subject to complaint or investigation.
2. Rules 199 IAC 35.12(1) and 35.6(4) are waived, to the extent necessary, to implement the tariffs.

3. MidAmerican Energy Company shall meet with the Board's staff and other interested parties at a date to be determined to discuss plan implementation and other issues raised by the Board's order.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 5<sup>th</sup> day of April, 2004.